



Issue Date September 20, 2011

Audit Report Number 2011-NY-1015

TO: Anne Marie Uebbing, Director, Office of Community Planning and Development, 2FD

FROM: //SIGNED//
Edgar Moore, Regional Inspector General for Audit, 2AGA

SUBJECT: Weaknesses Existed in Essex County, NJ's Administration of Its Homelessness Prevention and Rapid Re-Housing Program

HIGHLIGHTS

What We Audited and Why

We audited Essex County, NJ's Homelessness Prevention and Rapid Re-Housing Program (HPRP) in support of the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) goal to review the expenditure of American Recovery and Reinvestment Act funds and contribute to improving HUD's execution and accountability of fiscal responsibilities. We selected Essex County based on a risk assessment that considered that the County received approximately \$2.5 million in HPRP funds and received a score of 43, as compared to the median score of 34, in HUD's HPRP risk assessment. The audit objective was to determine whether Essex County officials obligated and expended HPRP funds within prescribed timeframes and implemented adequate controls to ensure that grant awards complied with HPRP program requirements.

What We Found

While Essex County officials ensured that HPRP funds were obligated and expended within prescribed timeframes, they had not established adequate

controls to ensure that the County's HPRP was administered in accordance with program requirements. We attribute these conditions to Essex County and subrecipient officials' unfamiliarity with program requirements. Consequently, its subrecipient expended at least \$43,833 contrary to program requirements, disbursed \$141,260 on behalf of recipients whose eligibility was not adequately supported, and awarded grants that did not always comply with administrative requirements. As a result, Essex County officials cannot adequately assure HUD that HPRP funds were expended in accordance with HPRP requirements.

What We Recommend

We recommend that the Director of HUD's New Jersey Office of Community Planning and Development instruct Essex County officials to (1) reimburse the HPRP line of credit \$43,833 for funds expended on ineligible HPRP costs, (2) provide documentation to adequately support the \$141,260 in unsupported disbursements, and (3) strengthen subrecipient monitoring procedures before administering future similar HUD-funded programs.

For each recommendation in the body of this report without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided a draft audit report to Essex County officials on August 31, 2011, and held an exit conference with Essex County officials on September 9, 2011. Essex County Officials provided written comments on September 13, 2011. They generally agreed with our report. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVE

The Homelessness Prevention and Rapid Re-Housing Program (HPRP) is a new housing assistance program under the U.S. Department of Housing and Urban Development (HUD) Office of Community Planning and Development. It was funded on February 17, 2009 under the American Recovery and Reinvestment Act of 2009, which provided \$1.5 billion for temporary financial assistance and housing relocation and stabilization services to individuals and families that are homeless, or would be homeless but for this assistance. Accordingly, HPRP assistance is targeted at individuals and families that are (1) currently in housing, but are at risk of becoming homeless and need temporary rent or utility assistance, or assistance to move to another unit and (2) experiencing homelessness (residing in emergency or transitional shelters or on the street), and need temporary assistance to obtain housing.

HPRP funding was distributed by HUD based upon the formula used for its Emergency Shelter Grant program. HUD awarded more than \$2.5 million in HPRP funds to Essex County, NJ, which designated its Division of Housing and Community Development to administer the program. On September 30, 2009, the County subsequently executed a subrecipient agreement with its Division of Community Action, which reportedly had experience with similar programs, through which it awarded \$2,457,860 to be used for HPRP activities. On April 6, 2010, authorization to administer the program was reassigned from the County's Division of Community Action to the Division of Training and Employment. The Division of Housing and Community Development retained \$63,022 for its administrative costs.

The objective of this audit was to determine whether Essex County officials obligated and expended HPRP funds within prescribed timeframes and implemented adequate controls to ensure that grant awards complied with HPRP program requirements.

RESULTS OF AUDIT

Finding: Weaknesses Existed in Essex County's Administration of Its Homelessness Prevention and Rapid Re-Housing Program

While Essex County officials ensured that HPRP funds were obligated and expended within prescribed timeframes, they had not established adequate controls to ensure that the County's HPRP was administered in accordance with program requirements. Specifically, Essex County officials provided inadequate training and oversight to a subrecipient, and the subrecipient awarded grants for ineligible and unsupported costs, and that did not comply with administrative requirements. We attribute these conditions to Essex County and subrecipient officials' unfamiliarity with program requirements. Consequently, its subrecipient expended at least \$43,833 contrary to program requirements, disbursed \$141,260 on behalf of recipients whose eligibility was not adequately supported, and awarded grants that did not always comply with administrative requirements. As a result, Essex County officials cannot adequately assure HUD that HPRP funds were expended in accordance with HPRP requirements.

HPRP Funds Obligated and Expended Within Prescribed Timeframes

Essex County officials were awarded \$2.5 million on July 16, 2009. In spite of difficulties in the initial implementation of the HPRP, officials obligated and expended HPRP funds within prescribed timeframes. The notice of funding availability for the HPRP required that grantees obligate funds by September 30, 2009. Further, the American Recovery and Reinvestment Act required that 60 percent of the funds be expended within 2 years of the date that the funds became available to a grantee and that 100 percent be expended within 3 years of that time. Essex County officials obligated the funds in a timely manner by executing a subrecipient agreement on September 30, 2009 with the County's Division of Community Action.

Essex County officials believed the Division of Community Action had the ability to administer the HPRP; however, they later released the Division from administering the program because they thought it was progressing too slowly in its implementation of the HPRP. Consequently, on April 6, 2010, the County reassigned administration of the HPRP to the County's Division of Training and Employment.

Based on reports obtained from HUD's Integrated Disbursement and Information System, \$2.3 million, or 91.7 percent of the Essex County's more than \$2.5 million in HPRP funds were expended as of March 31, 2011, thereby exceeding the 60 percent requirement that \$1.5 million be expended before July 16, 2011. In

addition, Essex County officials had expended \$18,000 of the more than \$63,000 they had set aside for administrative costs.

Inadequate Training and Oversight Provided to the County's Subrecipient

There were weaknesses in the training and oversight provided to Essex County's subrecipient. Specifically, Essex County officials did not provide the Division of Training and Employment staff adequate technical assistance, conduct quarterly monitoring reviews as planned, or follow up to ensure that deficiencies noted during monitoring had been corrected. While Section 2 of the County's HPRP Manual provided that the County would give support and technical assistance to the subrecipient, County officials provided little training or technical assistance to the Division of Training and Employment officials. Officials of the Division of Training and Employment stated that they did not have experience with programs comparable to HPRP, and that training provided was less than an hour during a meeting arranged by Essex County officials with an HPRP specialist from HUD to answer their questions. This deficiency occurred because Essex County officials did not have sufficient staff to provide training and technical assistance to its subrecipient.

Regulations at 24 CFR (Code of Federal Regulations) 85.40(a), Monitoring and Reporting Program Performance, require HPRP grantees to monitor grant and sub-grant supported activities to assure compliance with applicable Federal requirements. Further, section C of Essex County's substantial amendment for its program year 2008 Action Plan (Amendment) provided that County officials would conduct quarterly onsite monitoring visits of all subgrantees to ensure that services identified in the contract were provided. However, County officials did not conduct visits as planned; they conducted three monitoring visits between October 2009 and January 2011, one to the Division of Community Action in November 2009, and two to the Division of Training and Employment in June 2010 and January 2011.

Review of the subrecipient monitoring reports disclosed that the reports were not always adequate and follow-up was not conducted to ensure that the corrective action needed had been taken. For instance, review of three cases included in the County's reports disclosed potential participant ineligibility issues that were not addressed by the subrecipient or followed-up on by County officials. For example, in one case, there was no explanation in the file as to why the income, if any, of the participant to whom an eviction notice was given was not considered in determining eligibility. Also, in two other cases, County officials did not inquire about the participants' financial resources other than salary.

Further, while County officials provided the subrecipient with a report of deficiencies found, along with recommendations for corrective action, County officials did not ensure that the subrecipient implemented the recommended corrective action. For instance, the monitoring review report dated January 11, 2011 noted that an HPRP case file did not contain a bill to support \$590 in moving expenses that were paid from HPRP funds and recommended that the subrecipient's staff obtain a copy of the bill. However, at the time of our review, subrecipient staff had not requested the bill and County officials had not followed-up to ensure that a copy of the bill was obtained or request that the unsupported moving expense be reimbursed. Nevertheless, County officials did provide a copy of the bill at the exit conference.

Grants Awarded for Ineligible Purposes

Essex County's subrecipient disbursed \$43,833 for ineligible HPRP costs. This deficiency occurred because County officials did not properly monitor the County's subrecipient nor ensure that subrecipient staff was adequately trained. As noted below, the ineligible funds were disbursed for either participants who were ineligible for the benefit received or for ineligible expenses.

Ineligible Use of HPRP Funds	Number of Participants	Cost
Assistance to ineligible HPRP participants	11	\$34,783
Payment to landlords and management companies for their legal and court fees	21	\$6,068
Payment of recurring rental assistance for more than 3 months without recertifying the participants	3	\$1,657
Payment of recurring rental assistance to HPRP participants who were receiving housing assistance from other housing programs for the same period and the same type of cost	3	\$1,325
Total Ineligible Cost	37 ¹	\$43,833

HPRP participants were determined to be ineligible because the file did not comply with program requirements published in HUD Federal Register Notice FR-5307-N-01 and/or the HUD HPRP Eligibility Determination and Documentation Guidance (see Appendix C) for one of the following reasons: (1) annual income exceeded 50 percent of the area median income for a household with a comparable number of household members, (2) participant applied for and received utility assistance by using a utility bill, dated 1 year prior to the

¹ Total does not add because one participant received benefits for ineligible legal fees incurred by a landlord and ineligible recurring rental assistance.

participant's application date, or (3) a utility shutoff notice was not included on the utility bill used to qualify the participant for utility assistance.

Grant Awards Inadequately Supported

Essex County officials disbursed \$141,260 on behalf of 38 participants whose eligibility was inadequately supported. This condition occurred because County officials did not properly monitor the subrecipient or ensure that subrecipient staff was adequately trained. The eligibility of the 38² participants was determined to be unsupported because file documentation did not comply with HUD Federal Register Notice FR-5307-N-01 and/or the HUD HPRP Eligibility Determination and Documentation Guidance (see Appendix C) for the following reasons:

- 17 cases - Lack of documents to support that utility assistance provided was related to a utility balance that was not greater than 6 months in arrears.
- 14 cases – No bank statements to support those participants did not have other financial resources, while documents in the files indicated that the participants had bank accounts.
- 9 cases – No lease agreement for the assisted units.
- 9 cases – Lack of documents or notes to support that participants with minor children did not have income from child support.
- 7 cases – Lack of a completed and signed declaration form for household members older than 18 and evidence that they were full time students.
- 4 cases – Lack of lease agreements or participants' self certification when the participants were evicted from houses or apartments rented by participants' friends or relatives.
- 4 cases - An eviction notice, a lease agreement, or an HPRP application was provided that included individuals who, along with any potential income, were not included when determining eligibility.
- 4 cases - Included utility assistance for utility charges that were based on estimated utility consumption rather than actual consumption.

² The deficiencies are not independent of one another; each of the 38 participant files exhibited one or more of the reasons for which they were determined to be unsupported.

- 3 cases – Lack of documents or notes to explain significant drawdowns listed on participants’ bank statements.
- 1 case - No eviction notice to support that the participant was being evicted.
- 1 case - No documents or notes to support that the participant was at risk of becoming homeless.

Grant Awards Did Not always Comply with Administrative Requirements

Review of the sampled HPRP participants’ case files and discussion with subrecipient staff disclosed that the subrecipient did not always comply with HUD HPRP Eligibility Determination and Documentation Guidance (see Appendix C) because they did not always (1) conduct an initial consultation with each HPRP participant, (2) evaluate whether each HPRP participant had other financial resources and other housing options, (3) conduct a habitability inspection for all HPRP-assisted units when required, (4) conduct a lead based paint assessment for all HPRP-assisted units when required, (5) conduct rent reasonableness analysis when required, (6) have information related to participants’ housing status after HPRP housing assistance ended, and (7) obtain and maintain documents to support that paid utility assistance was not greater than 6 months in arrears. Further, 34 of the 62 HPRP participants’ case files included subrecipient staff self-certification forms that were not signed by a staffmember or a staff supervisor, and 6 lacked a signed subrecipient staff self-certification form. These deficiencies occurred because (1) Essex County officials did not properly monitor the subrecipient to ensure that the subrecipient administered the County’s HPRP in accordance with the HPRP program requirements and (2) subrecipient officials were not experienced or trained to administer the County’s HPRP program.

Conclusion

Essex County officials ensured that HPRP funds were obligated and expended within prescribed timeframes; however, they had not established adequate controls to ensure that their HPRP was administered in accordance with program requirements. We attribute these conditions to Essex County and subrecipient officials’ unfamiliarity with program requirements. Consequently, the County’s subrecipient expended at least \$43,833 contrary to program requirements, disbursed \$141,260 on behalf of recipients whose eligibility was not adequately supported, and awarded grants that did not always comply with administrative

requirements. As a result, Essex County officials cannot adequately assure HUD that HPRP funds were expended in accordance with HPRP requirements.

Recommendations

We recommend that the Director of the New Jersey Office of Community Planning and Development instruct County Officials to

- 1A. Reimburse the \$43,833 awarded for ineligible costs to the HPRP line of credit.
- 1B. Provide adequate documentation for the \$141,260 disbursed on behalf of the 38 participants whose eligibility was unsupported, and if adequate documentation is not provided, reimburse the HPRP line of credit from nonfederal funds.
- 1C. Develop procedures that will ensure that adequate subrecipient monitoring is established before administrating similar HUD-funded programs.

SCOPE AND METHODOLOGY

The audit focused on whether Essex County officials administered the County's HPRP in compliance with HPRP program requirements.

To accomplish our objectives, we

- Reviewed relevant HPRP program requirements and applicable Federal regulations.
- Interviewed staff from the HUD New Jersey Office of Community Planning and Development, Essex County Division of Housing and Community Development (grantee), and the Division of Training and Employment (subrecipient).
- Obtained an understanding of the County's management controls and procedures through analyzing the grantee's responses to internal control questionnaires, and reviewing the County's audited financial statements for fiscal year 2009.
- Analyzed reports from HUD's computer systems, including the Integrated Disbursement and Information System, and Line of Credit Control System. Assessment of the reliability of the data in these systems was limited to the data sampled, which was reconciled to the County's records.
- Reviewed Essex County's substantial amendment to its program year 2008 Action Plan.
- Reviewed Essex County's HPRP and its accounting policy.
- Reviewed the HPRP subrecipient agreement between the County and its subrecipient.
- Reviewed County monitoring reports of its subrecipient.
- Reviewed documents such as purchase requisitions, purchase orders, landlords' bills, and cancelled checks to support disbursements associated with 87 HPRP case files sampled.
- Selected a statistical sample of 62 HPRP participant files from the universe of 635 HPRP participants based on a 90 percent confidence level, 50 percent estimated error rate, and precision of plus or minus 10 percent to determine whether HPRP participants were certified in accordance with the HPRP requirements. The results of reviewing the 62 HPRP participants' case files revealed that 61.28 percent or 38 HPRP participants, were either ineligible to receive HPRP assistance or their eligibility to receive HPRP assistance was inadequately supported.

- Reviewed an additional 25 participant files to follow-up on issues raised through analytical procedures that identified risk factors, such as potential duplicate addresses or names and significant reported monthly income by HPRP participants.

The audit generally covered the period October 1, 2009, through December 31, 2010, and was extended as needed to accomplish the objectives. We performed the audit fieldwork from March through June 2011 at the County Division of Housing and Community Development and the Division of Training and Employment.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to the effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiency

Based on the review, we believe the following items are significant deficiencies:

Essex County officials had not established and implemented adequate policies and procedures to ensure:

- Compliance with laws and regulations when they did not conduct quarterly on-site monitoring of the County's subrecipient and ensure that its subrecipient implemented corrective action to address deficiencies disclosed during the County's monitoring of its subrecipient's administration of the County's HPRP (see finding).
- That resources were safeguarded when their subrecipient disbursed HPRP funds on ineligible program costs and for participants whose eligibility was not adequately supported (see finding).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

<u>Recommendation number</u>	<u>Ineligible 1/</u>	<u>Unsupported 2/</u>
1A	\$43,833	
1B		\$141,260
Total	<u>\$43,833</u>	<u>\$141,260</u>

- 1/ Ineligible costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION



DEPARTMENT OF ECONOMIC DEVELOPMENT, TRAINING AND EMPLOYMENT
DIVISION OF HOUSING & COMMUNITY DEVELOPMENT

20 Crestmont Road, Verona, NJ 07044. Tel: (973) 655-0200. Fax: (973) 655-0982

Joseph N. DiVincenzo, Jr.
Essex County Executive
Director

Anibal Ramos, Jr.
Department

George F. Serio, Jr.
Deputy

Director

September 9, 2011

Mr. Edgar Moore, Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of the Inspector General for Audit
26 Federal Plaza, Room 3430
New York, NY 10278 0068

Dear Mr. Moore:

In response to the draft audit report received September 2, 2011, the Essex County Division of Housing & Community Development would like to formally address the issues documented in this Correspondence as outlined below:

Summary

The draft audit report contains one tentative finding:

Finding 1: Weaknesses Existed in Essex County's Administration of its Homeless Prevention and Rapid Re-Housing Program

Inadequate Training and Oversight Provided to the County's Subrecipient

Essex County officials did not provide Department of Economic Development, Training & Employment staff adequate technical assistance, conduct quarterly monitoring reviews, or follow up to ensure deficiencies noted during monitoring reviews had been corrected.

County Response: The HPRP was a new program created by the American Recovery and Reinvestment Act of 2009. This program was meant to assist individuals and families that were at risk of becoming homeless or who had recently become homeless. There was a great urgency to address the needs of those that were eligible for this program. This urgency for obvious reasons led to immense pressure at the Federal and local level to respond to the needs of those that required assistance.

Ref to OIG Evaluation

Auditee Comments

**Comment 1
Comment 2**

Since HPRP was a new program, with new regulations, The Division utilized the most widely available resources at the time which was the Homeless Resource Exchange website (HUDHRE.INFO) to build its program. The staff of the subrecipient had the same access to the training materials, webinars and listserv information that the Division had. The subrecipient believes that these training modules were not a sufficient means to deliver training for a new, evolving program. The County had also contacted an HPRP specialist from HUD who spent half a day with the Division and subrecipient to answer questions and address concerns of the staff implementing the program.

Comment 3

The Division did not detect any concern on the part of the subrecipient in its ability to administer the program during its monitoring visits or phone conversations. The Division conducted monitoring visits consistent with its currently approved action plan. The Division recognizes that the substantial amendment states quarterly visits. The Division was in constant communication with the subrecipient during the implementation of the program. In addition, there was a lack of formal notifications from Washington in the form of policy notices to alert grantees of common mistakes and policy updates that would help grantees better comply with the program guidelines.

Comment 4

Additionally, the subrecipient did not request further training or technical assistance during the Division's site visits or phone conversations.

Finally, the HPRP case file that did not contain a bill to support \$590 in moving expenses that were paid with HPRP funds was eventually provided. A copy is attached to this response.

Comment 5

Grants Awarded for Ineligible Purposes

Essex County's subrecipient disbursed \$43,833 for ineligible HPRP costs. Funds were disbursed for ineligible expenses \$6,068 in payments to landlords and management companies for their legal and court fees.

County Response: The fees cited in the report were court ordered and if not paid the tenants would have literally become homeless. The Division believes that these costs should not be disallowed since the subrecipient properly applied the criteria found in the HUD issued Eligibility Determination and Documentation which states, "subgrantees must assess and document the household would become literally homeless "but for" HPRP assistance."

Comment 6

The subrecipient has requested regulatory citations demonstrating that the remaining amount of \$37,765 were ineligible costs so that in the future any such issues can be avoided.

Comment 7

The County will continue to work the subrecipient to provide documentation to support the \$141,260 to the New Jersey Office of Community Planning and Development as recommend in item 1B.

If you need additional information, please feel free to contact me at (973) 655-0200.

Sincerely,
//SIGNED//
George F. Serio, Jr.
Deputy Director

Cc: Anibal Ramos, Jr., Department Director

OIG Evaluation of Auditee Comments

- Comment 1** County officials stated that they did not detect any concern on the part of the subrecipient in its ability to administer the program during its monitoring visits and phone conversations. However, our review of the County monitoring reports noted that the reports identified deficiencies with subrecipient files and that County officials had not performed follow-up to ensure that correction action was taken. Further, OIG’s review of case files reviewed by County officials revealed noncompliance issues that were not noted by the County.
- Comment 2** As agreed, County officials should have conducted quarterly monitoring visits in compliance with its substantial amendment to its year 2008 Action Plan.
- Comment 3** HUD used the Homeless Resource Exchange (HUDHRE.INFO) to disseminate program requirements, policy updates and answers to frequently asked questions.
- Comment 4** At the exit conference County officials provided a copy of the invoice to support \$590 in moving expenses; consequently, we adjusted the report to note that this expense was properly supported.
- Comment 5** County officials stated that the fees cited in the report (\$6,068) were court ordered and if not paid the tenants would have literally become homeless. The County believes that these costs should not be disallowed since the subrecipient properly applied the criteria found in the HUD issued Eligibility Determinations and Documentation guidelines, which states “subgrantees must assess and document whether the household would become literally homeless “but for” HPRP assistance”. The “but for” criteria applies to determining whether an individual is eligible for HPRP assistance, and then determinations must be made as to the types of eligible costs for which assistance would be provided. The HPRP notice-(Part IV.A.2.d) provided that HPRP funds may be used for legal service to assist program participants with legal advice and presentation in administrative or court proceeding related to tenant or landlord or housing issues, but not for legal fees incurred by landlords.
- Comment 6** During the audit and at a pre-exit conference, subrecipient officials were provided the applicable citations used to determine that the \$37,765 was ineligible, and the applicable citations are included in appendix C of the draft audit report, which was provided to the grantee and the subgrantee prior to the exit conference.
- Comment 7** County officials stated that the County will continue to work with the subrecipient to provide documentation to support the \$141,260. As such, this documentation should be provided to the HUD field office as part of the audit resolution process.

Appendix C

CRITERIA

A. HUD Federal Register Notice FR-5307-N-01, effective March 19, 2009, outlined the allocation formula and amounts, the list of grantees, and requirements for HPRP. The notice included the following:

- While HUD will allow grantees the discretion to develop prevention or rapid rehousing programs that meet locally defined needs, HUD also expects that these resources will be targeted and prioritized to serve households that are most in need of this temporary assistance and are most likely to achieve stable housing, whether subsidized or unsubsidized, outside HPRP after the program concludes. (Part I.A.)
- To receive HPRP-funded financial assistance or housing relocation and stabilization services, a household must meet at least the following minimum criteria:
 1. Applying households must receive at least an initial consultation and eligibility assessment with a case manager or other authorized representative who can determine eligibility and the appropriate type of assistance needed. (Part IV.D2.1)
 2. The household's total income must be at or below 50 percent of area median income. (Part IV.D2.2)
 3. The household must be either homeless (to receive rapid rehousing assistance) or at risk of losing its housing (to receive homelessness prevention assistance) and meet both of the following circumstances: (1) no appropriate subsequent housing options have been identified, and (2) the household lacks the financial resources to obtain immediate housing or remain in its existing housing. (Part IV.D2.3)
- After 3 months, if program participants receiving short-term rental assistance need additional financial assistance to remain housed, they must be evaluated for eligibility to receive up to 15 additional months of medium-term rental assistance, for a total of 18 months. HUD is requiring grantees and subgrantees to certify eligibility at least once every 3 months for all program participants receiving medium-term rental assistance.(Part IV.A.1.a(1))
- Rental assistance payments cannot be made on behalf of eligible individuals or families for the same period and for the same cost types that are being provided through another Federal, State, or local housing subsidy program. (Part IV.A.1.a(5))
- HPRP funds may be used for up to 18 months of utility payments, including up to 6 months of utility payments in arrears, for each program participant, provided that the program participant or a member of his or her household has an account in his or her name with a utility company or proof of responsibility for making utility payments, such as cancelled checks or receipts in his or her name from a utility company. (Part IV.A.1.c)

- HPRP funds may be used for legal services to help people stay in their homes, such as services or activities provided by a lawyer or other person(s) under the supervision of a lawyer to assist program participants with legal advice and representation in administrative or court proceedings related to tenant or landlord matters or housing issues. (Part IV.A.2.d)
- The rental assistance paid cannot exceed the actual rental cost, which must comply with HUD's standard of "rent reasonableness." "Rent reasonableness" means that the total rent charged for a unit must be reasonable in relation to the rents being charged during the same period for comparable units in the private unassisted market and must not exceed rents being charged by the owner during the same period for comparable nonluxury unassisted units. To make this determination, the grantee or subgrantee should consider (1) the location, quality, size, type, and age of the unit and (2) any amenities, housing services, maintenance, and utilities to be provided by the owner. Comparable rents can be checked by using a market study, by reviewing comparable units advertised for rent, or with a note from the property owner verifying the comparability of rents charged for other units owned (for example, the landlord would document the rents paid in other units). (Part IV.A.3)
- Grantees are responsible for ensuring that HPRP amounts are administered in accordance with the requirements of this notice and other applicable laws. Each grantee is responsible for ensuring that its subgrantees carry out the HPRP-eligible activities in compliance with all applicable requirements. (Part V.F.)
- Based on lead-based paint requirements, a lead-based paint visual assessment must be completed for all units that meet the three following conditions: (1) the household living in the unit is being assisted with HPRP financial assistance (rent assistance, utilities assistance, utility or security deposits, or arrears), the unit was constructed before 1978, and a child under the age of 6 is or will be living in the unit. (Part VI.F.)
- Organizations providing rental assistance with HPRP funds will be required to conduct initial and appropriate follow-up inspections of housing units into which a program participant will be moving. Units should be inspected annually and upon a change of tenancy. (Part VII.C.)

B. HUD HPRP Eligibility Determination and Documentation Guidance, Revised March 17, 2010:

- A staff certification of eligibility form must be completed for each household deemed eligible for HPRP assistance certifying that the household meets all eligibility criteria for HPRP assistance, that true and complete information was used to determine eligibility, and that no conflict of interest exists related to the provision of HPRP assistance. The form must be completed and signed by the person determining eligibility and his or her supervisor for all households determined eligible or recertified on or after November 1, 2009. (Section 2, Assessment, p.4)

- Documentation requirements for persons at risk of homelessness require that a copy of an eviction notice from the landlord/property manager of the unit or a court order based on eviction action that notifies the applicant that he or she must leave and a copy of the lease naming the applicant as the leaseholder must be in the file. If the lessor is a family or friend, a copy of an eviction notice from that party notifying the applicant that he or she must leave and a copy of the lease naming the host family/friend as the leaseholder must be in the file. (Section 5, Documentation, p.16-17)
- Documentation requirements for persons at risk of potential loss of housing due to utility non-payment include a copy of a utility shut-off notice from the utility company. (Section 5, Documentation, p.16)
- In evaluating each HPRP participant's other financial resources, an assessment form or other documentation must
 1. Be documented by an HPRP case manager or other authorized existing housing staff,
 2. Include a review of current account balances in the checking and saving account held by the applicant household,
 3. Include an assessment summary or other statement indicating that the applicant lacks financial resources and support networks to obtain other appropriate subsequent housing or remain in current housing, and
 4. Be signed and dated by an HPRP case manager or other authorized HPRP staff. (Section 5, Documentation, p.20)